



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

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### **MANHATTAN U.S. ATTORNEY ANNOUNCES CHARGES AGAINST FOUR DEFENDANTS FOR PARTICIPATING IN TAX REFUND SCHEMES INVOLVING NEARLY \$5 MILLION**

*Three Chase Bank Employees Allegedly Received Tens of Thousands of Dollars in Bribes to  
Help Cash Fraudulent Refund Checks*

Preet Bharara, the United States Attorney for the Southern District of New York, and Victor Lessoff, the Acting Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS-CI"), announced charges today against three employees of J.P Morgan Chase Bank ("Chase") and another individual for participating in tax refund schemes that used the identities of Puerto Rican citizens to obtain fraudulent tax returns. KATHERINE TORRES, a Chase branch manager, ROSALIND SMITH, a Chase employee, and CARLOS DELEON are charged in one scheme that defrauded the Internal Revenue Service ("IRS") and New York State out of more than \$3 million. JUDITH FULGENCIO, a personal banker at Chase, is charged in a separate scheme that defrauded the IRS and New York State out of more than \$1.8 million. TORRES and DELEON were arrested this morning, and SMITH surrendered to authorities. They will be presented and arraigned in Magistrate Court later today. FULGENCIO will surrender on Monday and be presented and arraigned at that time.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, these bank employees were up for sale – willing to help defraud the IRS out of millions in exchange for tens of thousands of dollars under the table. These types of fraud schemes deprive the Government of vital revenue, and we are committed to bringing the perpetrators to justice."

IRS CI Acting Special Agent-in-Charge Victor Lessoff said: "IRS Criminal Investigation has made investigating identity theft and refund fraud a top priority. Filing fraudulent tax returns in the names of other individuals may result in significant harm to those individuals whose identities were stolen, as well as a monetary loss against the U.S. Treasury. Our Agency will respond to this type activity using every legal resource at our disposal. Let these actions serve as a warning to those who are considering similar conduct."

The following allegations are based on the Indictments, which were unsealed today in Manhattan federal court:

*Overview of the Schemes*

Although operated separately, the two schemes worked in similar fashion. Participants would unlawfully obtain identification information, including names, dates of birth, and social security numbers, of Puerto Rican citizens. These Puerto Rican identities would then be used to file fraudulent tax returns, which claimed large refunds from New York State and the federal government. Participants in the scheme had the resulting tax refund checks directed to addresses they controlled, or along specific mail routes assigned to a U.S. Postal Service employee who had been bribed to pull the checks from the mail. The checks were then cashed at a Chase bank branch at which one or more Chase employees had been bribed to facilitate the transactions.

*U.S. v. Katherine Torres, et al.*

In one scheme, TORRES, SMITH, and DELEON conspired to cash, and share in the proceeds of, more than \$3 million in fraudulently-issued tax refund checks. TORRES and SMITH, who both worked at a Chase branch on University Avenue in the Bronx, were paid tens of thousands of dollars in bribes. In exchange, they directed tellers whom they supervised to cash the fraudulent tax refund checks in a manner that deliberately avoided the filing of Currency Transaction Reports (“CTRs”) and concealed the fact that DELEON cashed tens of thousands of dollars in fraudulent tax refund checks on a near daily basis between 2006 and June 2007. TORRES and SMITH offered thousands of dollars in cash bribes to tellers who followed their instructions. The case is assigned to U.S. District Judge Denise Cote.

*U.S. v. Judith Fulgencio*

In another scheme, FULGENCIO, who worked at a Chase branch at Yankee Stadium, conspired to cash, and share in the proceeds of, more than \$1.8 million in fraudulently-issued tax refund checks. In exchange, she was paid tens of thousands of dollars in bribes. FULGENCIO directed tellers whom she supervised to cash the fraudulent tax refund checks in a manner that deliberately avoided the filing of CTRs and concealed the fact that a co-conspirator cashed tens of thousands of dollars in fraudulent tax refund checks on a regular basis between 2006 and June 2007. FULGENCIO offered thousands of dollars in cash bribes to tellers who followed her instructions. The case is assigned to U.S. District Judge Robert P. Patterson.

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TORRES, 52, SMITH, 31, and FULGENCIO, 32, all of the Bronx, New York, are each charged with one count of conspiracy, one count of theft of government funds and two counts of bank bribery. They each face a maximum sentence of 75 years of in prison. DELEON, 44, of New Rochelle, New York is charged with one count of conspiracy, one count of theft of government funds, and one count of bank bribery. He faces a maximum sentence of 45 years of in prison.

Mr. Bharara praised the outstanding investigative work of the IRS-CI. He also thanked the U.S. Postal Inspection Service (“USPIS”), USPIS Office of Inspector General, the Federal

Bureau of Investigation, and the New York State Division of Taxation and Finance for their assistance in the investigation.

This case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorney Howard Master is in charge of the prosecutions.

The charges and allegations contained in the Indictments are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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